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FM AMCONSUL TORONTO  
TO RUEHC/SECSTATE WASHDC PRIORITY 2508  
INFO RUCNCCAN/ALCAN COLLECTIVE  
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SIPDIS  
SENSITIVE

STATE FOR WHA/CAN (RIOS) AND EEB (SIROTIC)  
DEPT PASS USTR FOR MELLE, MENDENHALL, SULLIVAN  
TREASURY FOR INTERNATIONAL AFFAIRS (TRAN)  
COMMERCE FOR 4320/ITA/MAC/WH/ONIA (WORD)

E.O. 12958: N/A

TAGS: [EFIN](#) [EINV](#) [ETRD](#) [PGOV](#) [CA](#)  
SUBJECT: Ontario Pleased that SEC to Move Forward on Mutual  
Recognition

REF: (A) 07 Toronto 375

Sensitive But Unclassified - Please protect accordingly.

**¶1.** (SBU) On May 29, following a series of meetings in May with the Ontario, Quebec, Alberta, and British Columbia securities regulators, the U.S. Securities Exchange Commission (SEC) announced a schedule for completion of a framework that would allow the discussion of U.S.-Canada mutual recognition of securities regulation. An Ontario Securities Commission (OSC) contact told us on May 29 that they were pleased with the announcement, and were working hard to make mutual recognition with the U.S. a reality. Through mutual recognition, market professionals in foreign jurisdictions with comparable regulatory standards would be able to access the U.S. marketplace without registering with the SEC, and without direct SEC oversight. However, our Ontario contact expressed concern that the process may be stalled if Chairman Cox does not remain as head of the SEC past the November U.S. elections, commenting on the fact that the SEC presently has only three commissioners (instead of five), including Cox, all of whom are Republicans. The OSC is cautiously optimistic that mutual recognition discussions will move forward, at least until November.

**¶2.** (SBU) In late March, the SEC had announced its intention to move forward on developing a discussion framework for mutual recognition with Canada and the European Union. The OSC and Quebec's securities regulator, L'autorit des marchs financiers (AMF), representing Canada's two largest provinces and the bulk of its securities markets, had been working to this end on Canada's behalf since last year. When the SEC announced on March 29 that it would move ahead with formal discussions to develop a mutual recognition arrangement with Australia, it was a serious disappointment to the Canadian negotiators. According to our OSC contact, Australia's regulatory environment is more complicated than originally expected, and less like the U.S. regulatory environment than Canada's.

**¶3.** (SBU) Canada has 13 separate provincial and territorial regulators, but these jurisdictions' laws and regulations are highly harmonized through the federal Canadian Securities Administrators (CSA). Without a legislated "single" or "common" Canadian securities regulator, the SEC will have to negotiate with each Canadian jurisdiction through the Canadian Securities Administrators (CSA) -- an organic association of securities regulators, without statutory powers -- led by the OSC (ref (A)).

**¶4.** (SBU) Immediately following the March 29 announcement that the SEC would pursue mutual recognition with Australia, federal Finance Minister Flaherty pointedly reiterated his well-known views on the need to establish a single national securities regulator in Canada and has repeated those views publicly since then. Flaherty has said

that Canadian publicly traded companies now incur an unnecessary C\$59 million per year to meet the requirements of 13 separate securities regulators across Canada. Flaherty will reportedly push the need to establish a single national securities regulator today in Montreal during a meeting with provincial and territorial finance ministers.

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